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Federal Communications Commission  
Office of Secretary

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BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

In the Matter of

Access Reform Tariff Filings

*97-249 ✓*  
*97-250*

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REPLY COMMENTS OF THE SBC COMPANIES

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ROBERT M. LYNCH  
DURWARD D. DUPRE  
MICHAEL J. ZPEVAK  
THOMAS A. PAJDA  
One Bell Center, Room 3532  
St. Louis, Missouri 63101  
(314) 235-2519

NANCY C. WOOLF  
140 New Montgomery St., Room 1529  
San Francisco, CA 94105  
(415) 542-7661

Attorneys for  
Southwestern Bell Telephone Company  
Pacific Bell  
Nevada Bell

December 29, 1997

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**In the Matter of Access Reform Tariff Filings**

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## SUMMARY

The comments and petitions filed on the TRPs and tariff transmittals of the SBC Companies are answered by the attached pleading of the SBC Companies, and thus no investigation or suspension is warranted. All of the so-called "issues" raised by the petitioners lack substance and should be firmly rejected.

The "issues" that are raised either attempt to insert a number of calculation rules that are not required by the orders or are completely outside the scope of this proceeding. Worse, commentators continue to expect every local exchange carrier to look like the others without recognition of the differences in switch deployment or network configurations.

Thus, the Commission should dismiss all of the petitions. The SBC Companies' tariffs should take effect as scheduled.

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\*All abbreviations used herein are referenced within the text.

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REPLY COMMENTS OF  
THE SBC COMPANIES

Southwestern Bell Telephone Company (SWBT), Pacific Bell (Pacific), and Nevada Bell (Nevada) (collectively, the SBC Companies), pursuant to the TRP Order<sup>1</sup>, hereby respond to the comments filed on the Pacific and Nevada Tariff Review Plans (TRPs) of December 8, 1997, and to the petitions filed against the December 17, 1997 Access Reform Tariff Filings of all three SBC Companies.<sup>2</sup> None of the comments or petitions raise any concerns that warrant suspension and investigation, let alone rejection, of the Access Reform Tariff Filings.

I. LINE PORTS AND TRUNK PORTS

AT&T claims that Pacific's and Nevada's line port cost support does not provide sufficient information. AT&T claims that the Switching Cost Information System (SCIS) model should not be used for rate-setting purposes as it is a forward-looking model and the input has not been disclosed to the Commission and other interested parties.<sup>3</sup>

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<sup>1</sup> Support Material for Carriers to File to Implement Access Charge Reform Effective January 1, 1998, Order (DA 97-2358) (Com. Car. Bur. Rel. Nov. 7, 1997) (TRP Order).

<sup>2</sup> Comments were filed by AT&T on the Pacific and Nevada TRPs (AT&T Comments), and petitions against the Access Reform Tariff filings were filed by AT&T (AT&T Petition), Sprint and MCI.

<sup>3</sup> AT&T Comments, pp. 4-6. AT&T Petition, pp. 22-23.

As indicated in SWBT's Reply,<sup>4</sup> AT&T's concerns are misplaced. SCIS contains the most readily available data for determining non-traffic sensitive (NTS) costs. Further, it contains the most accurate data since switch vendors provide the input data which underlies the model. To otherwise gather and assemble this information would be unreasonably time consuming and costly. Each LEC would be required to obtain cost information from vendors for each switch. SCIS already contains the information necessary to make the appropriate calculations. There would be no assurance that the data specified by AT&T would be any more accurate than SCIS or produce results that are different. Even though SCIS is a forward-looking tool, it contains cost information for the majority of switches used in Pacific's and Nevada's network. Thus, SCIS provides a very reasonable depiction of current NTS costs.

Further, AT&T complains that Pacific and Nevada ran SCIS on only a subset of their local end office types, and that neither company justified how two recent cost saving enhancements -- host/remote switch configurations and integrated digital line carriers (IDLCs) - were captured in their SCIS model runs.<sup>5</sup>

SCIS does incorporate the existing network configuration of each of the SBC Companies. Further, Pacific and Nevada have utilized a representative sample of switches within each network, thereby providing a reasonable representation of NTS port costs. While not every switch is included, a representative sample of switches for both companies were studied. In the case of Pacific, 85 percent of the switches were included in the study. In the case of Nevada, 56

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<sup>4</sup> Reply Comments of Southwestern Bell Telephone Company, filed December 17, 1997, pp. 1-2. (SWBT Reply)

<sup>5</sup> AT&T Comments, pp. 4-6.

percent of the switches were included in the study. Pacific's SCIS based studies, as alleged by AT&T, did not include analog stored program controlled switches. This data was not available from the SCIS study. If the data was available, the inclusion of analog switches could have a small impact on the port factor. Over time, however, analog switches will be replaced with the types of digital switches that are represented in the study. As AT&T notes, all of the Nevada switches are digital which is consistent with the switch types included in the SCIS study. The Pacific and Nevada SCIS studies, overall, provide a reasonable representation of NTS port costs.

SCIS incorporates the majority of existing configurations of host/remote switches and therefore accounts for any existing efficiencies associated with these arrangements.

AT&T complains that Pacific and Nevada's TRPs vary widely in the percentages of line port investments to local switching investments.<sup>6</sup>

The percentages of line and trunk port investments vary by manufacturer and switch type. There are cases where this variation can be substantial. It is not unreasonable for variations to exist among companies, as companies deploy different mixes of switches. AT&T complains that the Commission expected that 50 percent or more of the local switching investment would be associated with line and trunk ports, but Pacific and Nevada only identified 22.9 percent and 31.1 percent associated with the line port, respectively. As mentioned, the 50 percent amount also includes trunk port costs. If the trunk port costs are added to the line port costs, Pacific's composite percentage is approximately 43 percent and Nevada's is approximately 44 percent. (See line and trunk port percentages on Exhibit 7B-1 of Pacific's and Nevada's Description and

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<sup>6</sup> AT&T Comments, p. 7.

Justification (D&J).) These composite percentages do not depart substantially from the Commission's preliminary 50 percent estimate. Further, the SBC Companies consider the SCIS study results to be a better estimate of port costs than simply assuming a 50 percent amount.

MCI complains that several price cap LECs are proposing to transfer less than 25% of their local switching revenues to flat rated charges,<sup>7</sup> and that less than 40% of the local switching revenue requirement of several SWBT study areas has been attributed to line and trunk ports.<sup>8</sup>

Even though SWBT is listed on MCI's Attachment A, its transfer of switching cost recovery to the flat rated elements is more than 25 percent. SWBT's composite line and trunk port percentage is approximately 38 percent. (See SWBT D&J, Exhibit 7B-1.) The 50 percent amount cited by AT&T was merely an estimate and is not based on studies as complete as those submitted in the access reform proceeding. It appears that the majority of the price cap LECs are falling below the 50 percent estimate. Even though central office equipment (COE) expense reallocations increase the amount of port costs as stated by MCI, this change does not impact the percentage of local switching investments and costs that are attributable to line and trunk ports. SWBT explained the cause for variation in its line and trunk port costs in its reply.<sup>9</sup>

MCI complains that there is a wide variation in the dedicated trunk port rates as shown in MCI's Attachment C, and asks that the Commission investigate the line and trunk port cost calculations.<sup>10</sup>

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<sup>7</sup> MCI, p. 4.

<sup>8</sup> MCI, p. 4.

<sup>9</sup> SWBT Reply, p. 4.

<sup>10</sup> MCI, p. 5.

The calculation of these trunk port rates is documented in Section 7 of SWBT's and Pacific's D&J. The rates are the result of dividing the interstate cost by the equivalent interstate demand. For SWBT and Pacific a percent interstate use (PIU) will be applied to the rates shown in MCI's Attachment C. With application of the PIU, the rates for SWBT and Pacific, respectively, are approximately \$11.17 and \$10.27 on average. It is not clear whether other companies will apply PIU factors to the rates shown.

MCI argues that the port cost calculations by SWBT and Pacific should be reviewed because they show an unusual pattern of relatively low port costs and high trunk port costs.<sup>11</sup>

SWBT's explanations of trunk port versus line port variations are correct. The large variation in end office trunk port and line port amounts for SWBT are still primarily due to the existence of analog switches and the related SCIS amounts. The line port and trunk port percentages for Pacific again are largely subject to the switch type and manufacturer. However, there are other reasons that can cause trunk port costs to be higher relative to line port costs. For instance, Pacific segregates its access traffic on common trunks and therefore does not mix access traffic with intraLATA toll and local usage. Thus, Pacific employs a higher number of trunks than companies, such as SWBT, that mix traffic types on their trunks. This can lead to relatively higher trunk port costs.

AT&T complains that Pacific and Nevada did not apply line port investment percentages to the actual revenues in the local switching band, but instead calculated a theoretical interstate local switching revenue requirement using their ARMIS results for 1996 and the authorized

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<sup>11</sup> MCI, p. 7.



interstate 11.25% return on investments. AT&T argues that Pacific and Nevada have understated their line port and trunk port exogenous costs and therefore overstated their local switching band costs.<sup>12</sup>

AT&T misinterprets the relevant order. Paragraph 128 of the Access Reform Order, required price cap LECs:

to conduct a cost study to determine the geographically-averaged portion of local switching costs that is attributable to the line side ports . . . and to dedicated trunk side ports. These amounts, including cost support should be reflected in the access charge elements filed in the LEC's access tariff effective January 1, 1998.

Pacific's and Nevada's filings comply with the order. There was no requirement in the order to reflect port costs as a percentage of revenues. No such requirement is cited by AT&T.

MCI again complains that SWBT, Pacific and Nevada have not excluded signalling transfer point (STP) port costs when computing their SS7 revenue requirement.<sup>13</sup>

As indicated in SWBT's Reply,<sup>14</sup> the Commission did not specify that the removal of STP port costs was a requirement, and again, MCI cites no basis for such a requirement.

AT&T complains that none of the LECs have filed sufficient cost study material, thereby making it virtually impossible to determine appropriate ISDN line port rates. In particular, AT&T complains that SWBT's PRI rate is \$56.66 -- more than 75 times greater than Sprint's rate of \$0.77.<sup>15</sup>

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<sup>12</sup> AT&T Comments, p. 8.

<sup>13</sup> MCI, pp. 10-11.

<sup>14</sup> SWBT Reply, p. 5.

<sup>15</sup> AT&T Petition, pp. 20-21.

Again, it is difficult for SWBT to comment on differences between its rates and rates filed by other companies. It is not clear, for instance, whether Sprint's amount is per PRI facility or PRI derived channel. The development of SWBT's rate is shown in Section 7 of its D&J and is correct.

## II. TRANSPORT INTERCONNECTION CHARGE (TIC)

MCI<sup>16</sup> and AT&T<sup>17</sup> claim that the increase in the TIC, because of the decrease in the reinitialized tandem transport rates, is not permitted. The SBC Companies, however, fully complied with the provisions of paragraphs 206 and 208 of the Access Reform Order in calculating their revised tandem transport rates. The decrease in tandem transport rates should not be unexpected because changes in inputs other than the average usage per trunk can have a significantly greater impact on the rates.

AT&T argues that Nevada erroneously included its intrastate intraLATA toll, intrastate interLATA access and intrastate local traffic in its estimate of the demand for tandem switched transport.<sup>18</sup> MCI complains that SWBT used not only interstate access minutes in determining usage, but also intrastate access, local and toll minutes.<sup>19</sup>

Intrastate traffic was not used in the development of common transport rates other than to calculate the actual average usage per trunk as required by the Access Reform Order. It is appropriate to include all usage carried on a trunk when determining the average usage on the

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<sup>16</sup> MCI, pp. 13-14.

<sup>17</sup> AT&T Comments, pp. 9-10.

<sup>18</sup> AT&T Comments, p. 10.

<sup>19</sup> MCI, pp. 15-16.

trunk. Common trunks are not dedicated to a jurisdiction or a type of traffic in SWBT and Nevada. Inclusion of intrastate traffic had no impact on tandem transport rates as claimed by AT&T.

AT&T erroneously insists that the SBC Companies should have used the 1997 Annual Filing current TIC revenue (6/30/97) rather than the Annual Filing proposed TIC revenue (which is the 12/31/97 current TIC revenue) to calculate the residual TIC amount.<sup>20</sup> As previously explained in SWBT's Reply Comments, the SBC Companies' methodology, as shown in Section 17 of the Description and Justification (D&J), properly computes both the amount of the facilities-based TIC and the amount of any reversal of TIC targeting required to ensure that the residual TIC amount is at least equal to the facilities-based TIC amount.

AT&T's Exhibit B in its Comments and Exhibit TIC-RECALC in its Petition either uses incorrect exogenous cost amounts (i.e., AT&T used the total Trunking basket marketing expense amount of \$300,670 rather than the proper TIC category marketing expense amount of \$93,605) or erroneously calculates the amount of excess targeted TIC.<sup>21</sup> AT&T does not dispute that the remaining facilities-based TIC for Nevada is \$1,569,141. AT&T also does not dispute the fact that the residual TIC amount should be at least equal to the facilities-based TIC amount. Therefore, the determination of the required TIC targeting reversal (if any is required) can only be made by subtracting the TIC exogenous costs (both exogenous costs targeted directly to the

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<sup>20</sup> AT&T Comments, p. 14 and AT&T Petition, pp. 9-10.

<sup>21</sup> AT&T's version of the excess targeted amount is unclear from its pleadings. On line 700 of Exhibit B it proposes \$1,845,198 and on line 700 of Exhibit TIC-RECALC it proposes \$1,550,487.

TIC and the TIC's proportional share of Trunking basket undesignated exogenous costs) from the current TIC amount to calculate the residual TIC. If the residual TIC is less than the facilities-based TIC, a reversal of targeting in the amount of this difference is required. The 6/30/97 TIC revenue amount is simply irrelevant to this calculation.

As noted on Table 1 in Section 17 of Nevada's D&J, the subtraction of all relevant TIC exogenous costs resulted in an estimated negative residual TIC of \$61,800 when the estimated facilities-based TIC amount requires a residual TIC of at least \$1,569,141. Therefore, a TIC targeting reversal of \$1,630,941 ( $\$1,569,141 + \$61,800$ ) was treated as a positive exogenous cost to the TIC category and included in column 15 of the Supplemental EXG-2 form. Pacific's calculations show that the residual TIC amount of \$35M exceeds the revised facilities-based TIC amount of \$21M, thereby not requiring any TIC targeting reversal. Contrary to AT&T's assertion that Pacific and Nevada did not apparently include all exogenous costs in the calculation,<sup>22</sup> all designated (and the proportional share of undesignated) Trunking basket costs, including the 1997 Annual Filing cost adjustments, were included.

AT&T also claims that Pacific and Nevada erred in the apportionment of COE maintenance costs by not using their 6/30/97 TIC in the adjustment.<sup>23</sup>

The Commission did not require specific targeting of the COE maintenance reallocation between the facilities based TIC and the residual portion of the TIC. The COE maintenance reallocation was adjusted at the total basket level and was allocated proportionately to the rate

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<sup>22</sup> AT&T Petition, p. 11.

<sup>23</sup> AT&T Comments, p. 15.

elements, including the TIC. Any exogenous targeting to the facilities based TIC and the residual TIC was at the LEC's discretion. Pacific's and Nevada's TIC adjustments comply with the Commission's rules.

### III. MULTIPLEXER RATE ELEMENT

MCI complains that SWBT has not included the DS3/DS1 multiplexer in computing its new rates; and that in order to facilitate comparison of existing and reinitialized rates, the multiplexer should be included in developing the reinitialized rates. MCI also argues that if the reinitialized rates are less than the existing rates, no adjustment to the TIC service band index (SBI) upper limit should be made.<sup>24</sup>

Since the Access Reform Order required the establishment of a specific shared DS3/DS1 multiplexer rate on the end office side of the tandem switch, the multiplexer cost currently included in the tandem transport rate was removed and included in this new multiplexer rate. A cost equal to the revenue associated with the multiplexer rate was removed from the TIC. Therefore, the removal of the multiplexer from the tandem transport rate did not affect the TIC.

AT&T claims that most LECs, including the SBC Companies, did not establish a flat-rated charge for multiplexers used between the tandem switch and the serving wire center (SWC), and that the current DS3/DS1 rate element may not recover all the costs that this new flat-rated multiplexing element is intended to recover.<sup>25</sup>

The SBC Companies currently apply the DS3/DS1 multiplexer charge whenever a DS3 entrance facility is muxed to a DS1. This rate application currently includes all tandem-switched

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<sup>24</sup> MCI, p. 15; AT&T Comments, p. 10.

<sup>25</sup> AT&T Comments, pp. 11-12; AT&T Petition, p. 13.

transport arrangements whether the customer has selected the direct rating option between the SWC and the access tandem or the tandem rating structure (the unitary rate structure.)

Since the SBC Companies have been charging the DS3/DS1 multiplexer charge in situations where the unitary rate structure has been selected, the requirement to establish a new rate element does not apply to the SBC Companies.

#### IV. COMMON LINE

AT&T argues that the Commission should require an extensive examination of carrier common line (CCL) rates since 1991, investigate proposed CCL rates and order the LECs to make appropriate refunds and reform their CCL rates.<sup>26</sup> MCI complains that because the FCC has already found that SWBT's CCL price cap indexes (PCIs) are inflated, its rates should be suspended to determine the extent the PCIs are inflated and to ensure that going forward presubscribed interexchange carrier charge (PICC) and CCL rates are reasonable.<sup>27</sup>

In the 1997 Annual Filing Order, the Commission noted that it did not possess the record necessary to calculate any cumulative effect of any past understatement of the per-line BFP revenue requirement.<sup>28</sup> The 1997 Annual Filing Order did not order the calculation of any alleged understatement. SWBT is in compliance with the 1997 Annual Filing Order and no such investigation can reasonably be begun here.

The price cap formulas provide the basis for each filing's rates. AT&T would have the

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<sup>26</sup> AT&T Petition, p. 6.

<sup>27</sup> MCI, p. 22.

<sup>28</sup> 1997 Annual Access Tariff Filings, CC Docket No. 97-149, Memorandum Opinion and Order (FCC 97-403) (December 1, 1997) (1997 Annual Filing Order), paras. 99-100.

Commission reopen years of calculations of incredible complexity which have been previously available for investigation and which have resulted in rates placed into effect. Such calculations and rates cannot be reopened consistent with 47 U.S.C. Section 415. That section states that any action at law for the recovery of overcharges must be begun within two years from the time the cause of action accrues. The calculations have been public and AT&T cannot now claim that it is just now aware of the results. Thus, AT&T's request for an investigation on this point must be rejected.

AT&T complains that SWBT impermissibly reduced its 1/1/98 multi-line business (MLB) end user common line (EUCL) counts, and that the Commission should require further detail concerning the MLB EUCL change methodology. AT&T argues that the Commission should order the LECs to use the same total EUCL counts they filed in their 1997 annual filings.<sup>29</sup>

SWBT reported 51,356,604 MLB EUCLs in the 1997 Annual filing which included Centrex and BRI EUCLs, for which a multiline EUCL charge currently applies. As of January 1, 1998, both Centrex EUCL and BRI-ISDN EUCL demand are removed from the MLB

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<sup>29</sup> AT&T Petition, pp. 24-26.

EUCL demand. In addition to the change in BRI-ISDN EUCL application from multiline business to nonprimary residence, there also is a reduction to one EUCL per BRI-ISDN service.

This results in the following decrease in MLB EUCL demand:

1997 Annual Filing	51,356,604	MLB EUCLs
less	7,991,904	Centrex EUCLs
less	1,587,576	BRI-ISDN EUCLs
equals	41,777,124	MLB and PRI-ISDN EUCLs

AT&T is therefore incorrect in its assertion that current multiline EUCL demand should be equal to the 1997 annual filing EUCL demand.

AT&T complains that SWBT, Pacific and Nevada have PICC counts that vary from the EUCL counts in their 12/17/97 filings.<sup>30</sup>

The difference between EUCL counts and PICC counts in SWBT's and Nevada's filings is due to the correct inclusion of concession and official lines in the development of the PICC counts since neither SWBT or Nevada have historically assessed full EUCL charges to concession and official lines. Pacific, however, has historically assessed full EUCL charges to all concession and official lines. Therefore, there should be no difference between Pacific's EUCL and PICC counts. The difference shown in the CAP-1 form is the result of the inadvertent inclusion of Centrex system counts in the PICC line counts. Correction of this disparity results in the following insignificant changes: the Common Line Basket and Marketing Basket revenues would increase by \$12.00 and \$15.00 respectively, and the Trunking Basket revenues decrease by \$7.00.

AT&T complains that some LECs improperly calculated non-primary residential line

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<sup>30</sup> AT&T Petition, pp. 27-28.



counts, and argues that the Commission should suspend all price cap LECs' EUCL demands, place them under investigation and require the LECs to support their results with systems, search criteria and quantities, and types of lines moved to and from EUCL categories.<sup>31</sup> MCI claims that the Commission should institute an investigation of the price cap LECs non-primary line definition in order to ensure that they are reasonable.<sup>32</sup>

The Commission has already initiated a Notice of Proposed Rulemaking (NPRM), CC Docket, No. 97-181, released September 4, 1997, In the Matter of Defining Primary Lines. In the NPRM, the Commission sought comment on how to define "primary residential lines". Once the Commission issues an order defining primary residential lines, the LECs will be able to review and adjust their tariffs, if necessary, to comply with the directives for primary residential and non-primary residential lines. At this time, it is premature to investigate the definition until the Commission provides guidance. Further, the Commission required each LEC to implement their own definitions in the meantime.

#### V. OTHER CHANGES

MCI complains that SWBT, Pacific and Nevada have understated demand for direct trunked transport between the SWC and the tandem, and that they should recompute the revenue impact of the transition to the three part tandem switched transport structure for SWBT, Pacific, and Nevada using the demand shown on the SBC Companies' Exhibit 9A-1 without

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<sup>31</sup> AT&T Petition, pp. 30-32.

<sup>32</sup> MCI, pp. 21-22.

modification.<sup>33</sup>

The SBC Companies' Figure 9-A1 reflects total demand not total interstate demand as suggested by MCI. The SBC Companies' determination of Direct Trunked Transport quantities is not understated by double application of the PIU.

MCI claims that Pacific and Nevada appear to reflect the revenue impact of the transition to a three part structure on a per-month basis, not a per-year basis as required.<sup>34</sup>

The revenue effect for Nevada is an annual effect; however, the Pacific amount is a monthly effect rather than an annual effect. This understatement for Pacific does not impact Pacific's filing since the revised facilities-based TIC is still less than the estimated residual TIC amount included in Section 17, thus not requiring any reverse targeting or change in TIC MOU rates.

A revised Exhibit 14-3 and revised pages 17-1 and 17-2 for Pacific are attached.

Although the revenue associated with the elimination of the unitary rate structure increased revenue from \$390,000 to \$4.7M, the resulting facilities-based TIC (\$21.3M) is still less than the residual TIC (\$35.1M). Since Pacific has proposed no TIC MOU rates, the change in the facilities-based and non-facilities-based TIC amounts has no effect on rates.

MCI complains that the SBC Companies developed their trunk port costs per in service trunk, and that the Commission should require these LECs to clarify that port charges will not be

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<sup>33</sup> MCI, p. 12.

<sup>34</sup> MCI, p. 12.

assessed on spare trunks riding a transport facility.<sup>35</sup>

The SBC Companies will apply the port charge based on the number of TPPs (Transmission Paths) on the switched account as activated by the customer. The TPP quantities were thus used to develop the in service trunk demand. The billing application is consistent with the demand quantification and rate development used in the tariff filing.

MCI claims that the Commission should require the LECs to prorate the PICC to reflect the number of days an end user was prescribed to a particular IXC, and that the Commission should also require the LECs to provide credit allowances to IXCs in the event of service interruptions.<sup>36</sup>

The Access Reform Order, CC Docket 96-262, released May 16, 1997, (paragraph 92) stated that "we will permit LECs to assess the full PICC at the beginning of each billing cycle." The PICC will thus be based on a snapshot in time, and as a result, no prorating or credit allowances would apply.

Sprint claims the LEC tariffs should specifically exempt Information Service Provider (ISP) lines from assessment of the PICC.<sup>37</sup>

Part 69.153(a) rules specify that the PICC charge "may be assessed upon the subscriber's presubscribed IXC to recover the common line revenues permitted under the price cap rules . . ." The Commission did not exclude ISP subscriber lines from PICC application. The SBC

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<sup>35</sup> MCI, p. 19.

<sup>36</sup> MCI, p. 20.

<sup>37</sup> Sprint, p. 2.

Companies are correctly assessing the PICC based on the end user's Primary Interexchange Carrier CIC. If an ISP is also acting as a Primary Interexchange Carrier for the end user, then the SBC Companies will assess the PICC to the ISP in accordance with the rules.

Paragraph 50 of the Access Reform Order, discusses access charges and ISPs:

With respect to second and additional residential lines, which are often used by consumers to access ISPs, our goal is to move towards price levels and structures that reflect underlying costs, and thereby to create a neutral market environment in which these lines neither give nor receive subsidies. We will address fundamental questions concerning ISP usage of the public switched network as part of a broader set of issues under review in a related Notice of Inquiry.

Thus, the SBC Companies' PICC assessment is consistent with the Commission's goals and Part 69 rules. Lines that are used to access ISPs may also be used for other applications, (e.g., second and additional lines, fax machines). Just because a line may be used to access an ISP doesn't preclude it from other uses or interLATA calling. Thus, Sprint's claim is without merit and should be ignored.

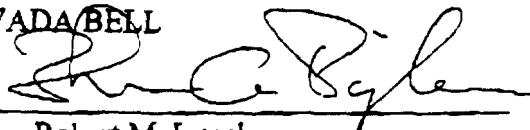
VI. CONCLUSION

For the foregoing reasons, the SBC Companies' December 17, 1997 tariff filings should be allowed to take effect on January 1, 1998.

Respectfully submitted,

SOUTHWESTERN BELL TELEPHONE COMPANY  
PACIFIC BELL  
NEVADA/BELL

By



Robert M. Lynch  
Durward D. Dupre  
Michael J. Zpevak  
Thomas A. Pajda  
One Bell Center, Room 3532  
St. Louis, Missouri 63101  
(314) 235-2519

Nancy C. Woolf  
140 New Montgomery St., Room 1529  
San Francisco, CA 94105  
(415) 542-7661

Their Attorneys

December 29, 1997

# **SBC - PAC** **ADDITIONAL DTT REVENUES**

DESCRIPTION	RATE	ADD'L DMD	ADD'L REVS	ADD'L ANNUAL REVS
VOICE GRADE - FIXED				
ZONE 1	\$6.50	10	\$65	\$780
ZONE 2	\$6.50	9	\$59	\$702
ZONE 3	\$6.50	16	\$104	\$1,248
VOICE GRADE - IOM				
ZONE 1	\$1.75	153	\$268	\$3,213
ZONE 2	\$1.70	135	\$230	\$2,754
ZONE 3	\$1.70	239	\$406	\$4,876
DS1 - FIXED				
ZONE 1	\$53.00	182	\$9,646	\$115,752
ZONE 2	\$70.00	160	\$11,200	\$134,400
ZONE 3	\$81.00	283	\$22,923	\$275,076
DS1 - IOM				
ZONE 1	\$12.05	2,723	\$32,812	\$393,746
ZONE 2	\$13.00	2,403	\$31,239	\$374,868
ZONE 3	\$13.65	4,247	\$57,972	\$695,659
DS3 - FIXED				
ZONE 1	\$500.00	97	\$48,500	\$582,000
ZONE 2	\$550.00	86	\$47,300	\$567,600
ZONE 3	\$600.00	152	\$91,200	\$1,094,400
DS3 - IOM				
ZONE 1	\$43.70	243	\$10,619	\$127,429
ZONE 2	\$43.70	214	\$9,352	\$112,222
ZONE 3	\$43.70	379	\$16,562	\$198,748
TOTAL			\$390,456	\$4,685,471

## **17. Residual TIC**

In the Access Reform Second Reconsideration Order at paragraph 61, the Commission concluded that because the non-facilities-related portion of the TIC does not relate to the use of the incumbent LEC's interstate transport facilities, they need not exempt competitors from paying this portion of the TIC. Therefore, incumbent LECs may continue, after January 1, 1998, to assess upon all local switching traffic that portion of their per-minute TIC charges that they do not anticipate will be reallocated in the future to facilities-based rate elements. In access tariff revisions filed to become effective January 1, 1998, incumbent LECs must show all such facilities-related amounts that they anticipate will be reallocated in the future, including appropriate documentation, and calculate separate per-minute TIC charges for those minutes that use the incumbent LEC's local transport facilities and those that do not.

The residual TIC amount represents the allowable TIC cost to be recovered from PICC and minute-of-use rates. The residual TIC amount will be calculated in the Access Reform Tariff Filing by dividing the proposed TIC category SBI upper limit by the current TIC SBI and multiplying this quantity by the current TIC category revenue amount. The proposed SBI upper limit reflects the effect of all the exogenous costs specifically targeted to the TIC category, including any required reversal of 1997 Annual Filing X-factor TIC targeting, plus that category's proportional share of the Trunking basket's undesignated exogenous costs. The residual TIC amount, prior to any TIC targeting reversals was estimated as shown on Table 1.

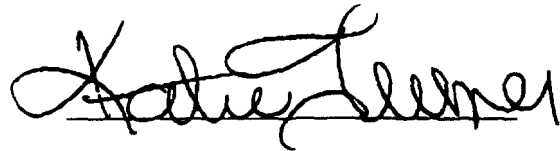
To determine the actual residual TIC amount, the facilities-based costs that should remain in the TIC after removal of all required costs were calculated. These facilities-based costs include the remaining two-thirds of the 80% of the tandem switching revenue requirement (adjusted for SS7 costs, tandem trunk port costs and marketing expense) plus the estimated change in direct-trunk and tandem switched transport revenue that will result from the elimination of the tandem switched transport unitary rate structure on July 1, 1998. The remaining two-thirds of the 80% of the adjusted tandem switching revenue requirement, is calculated by subtracting Line 12 from Line 11 in the table contained in Section 15, the result of which is \$16,572,926. The estimated unitary rate structure elimination revenue change is \$4,685,472 as shown on Exhibit 14-3.

Since the sum of these facilities-based costs (\$21,258,398) is less than the estimated TIC amount shown on Table 1, there is no need to reverse any of the 1997 Annual Filing TIC targeting amounts to adjust the initial residual TIC. (Had the amount been greater than the estimated TIC amount, an amount equal to this difference would have to be reverse targeted to the TIC). The difference between the actual residual TIC and the facilities-based costs reflects the non-facilities based residual.



CERTIFICATE OF SERVICE

I, Katie M. Turner, hereby certify that the foregoing, "REPLY COMMENTS OF SBC COMPANIES" in an Undocketed No. Has been filed this 29<sup>th</sup> day of December, 1997 to the Parties of Record.

A handwritten signature in cursive script, appearing to read "Katie M. Turner", written over a horizontal line.

Katie M. Turner

December 29, 1997